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INFO RUCNMER/MERCOSUR COLLECTIVE
RUMIAAA/USCINCSO MIAMI FL//SCJ3/SCJ33/SCJ34/SOCSO LNO//
RHEHNSC/WHITE HOUSE NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
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STATE FOR WHA/BSC, INL/LP (JIM HIDES)
EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD

E.O. 12958: N/A
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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE MAY 12-18,
2007

REF: ASUNCION 0383

11. (U) SUMMARY:

- Building a Transparent Court
- Paraguay Attracting Call Centers
- Health Ministry Milk Program Under Scrutiny
- New Judges (Again) for Ycua Bolanos Panel
- MCC Director Visits Paraguay

MCC DIRECTOR VISITS PARAGUAY

12. (U) MCC Threshold Programs Director Maria Longi visited Paraguay last week to review progress under the GOP,s USD 35 million MCA Threshold Program dedicated to fighting corruption and informality. Longi conducted a wide range of meetings with top level GOP counterparts, private sector leaders, civil society representatives, and other key multilateral donor institutions. The meetings gave Longi an on-the-ground look at program performance and outstanding challenges. Apart from specific discussions on the ten Threshold program components, GOP reps stressed the country,s keen interest in qualifying for an MCA compact and a planned trip of Minister Carlos Walde and other GOP reps (week of June 11) to Washington to report on progress in addressing MCC indicators.

HEALTH MINISTRY MILK PROGRAM UNDER SCRUTINY

13. (U) The Controller General's investigative support unit audited the Ministry of Health's milk program for pregnant women and malnourished children and discovered irregularities. The Health Ministry paid nearly 50 percent of the value of the contract (approximately USD 1 million) to JVL Meta SRL, the company that won the contract, without receiving any milk. The case is still under investigation. (NOTE: The Controller General's investigative support unit is funded by USAID. END NOTE.)

NEW JUDGES (AGAIN) FOR YCUA BOLANOS PANEL

14. (U) German Torres, Blas Cabriza and Bibiana Benitez are

the most recent set of judges selected to preside over the second Ycua Bolanos fire case May 13 (reftel). Torres is set to be the President of the Court. There has been no indication that any of them will recuse themselves. (NOTE: More than 58 judges recused themselves, 3 of them just three weeks ago. END NOTE.)

BUILDING A TRANSPARENT COURT

15. (U) Alicia Puchetta, the President of Paraguay,s Supreme Court, and the USAID Director publicly launched a new service designed to provide citizens with greater access to clear and timely information regarding basic legal rights and public services. The service will also help answer general questions on judicial operations and proceedings. The Court, with USAID assistance, is now providing both on-site and call-in information services for citizens designed to demystify and make more transparent Paraguay,s opaque judicial system.

PARAGUAY ATTRACTING CALL CENTERS

16. (U) At least three companies have recently invested or announced future investments in call centers in Paraguay. Spanish company Bouncopy began operations in early 2007 and currently employees 70, with a goal of expanding to 750 employees by the end of 2008. According to local press reports, Spanish company Angel PC has also opened a call center with 300 employees, and the Minister of Industry and Commerce is courting Spanish firm Atento, which is also considering establishing a call center in Paraguay. Most of the operations are established under Paraguay,s maquila law, which confers significant tax benefits. (NOTE: The MCC Threshold Program has a component supporting the GOP,s

efforts to attract maquila operators and thus create more legitimate employment. END NOTE.)
CASON